MT LEGISLATIVE HISTORY 72 pages

Chapter 558 1987

Bill (H) 741 S_____ Original bill & hist. ___C

H. Committee on Taxation

Hearing Date(s) MAR 09 ✓C
MAR 17 ✓C
MAR 18 ✓C
_____ ___C

Date Out MAR 18 ✓C

S. Committee on Business & Industry

Hearing Date(s) MAR 27 ✓C
_____ ___C
_____ ___C
_____ ___C

MAR 27 ✓C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report_____

STATUS SHEET

50th LEGISLATIVE SESSION

TAXATION COMMITTEE

HOUSE BILL NUMBER	ENTERED COM. DATE	DATE CONSIDERED	OUT OF COM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMENDED DATE	DO NOT PASS AS AMENDED DATE	BE CONCURRED IN DATE	BE NOT CONCURRED IN DATE	BE CONCURRED IN AMENDED DATE	BE NOT CONCURRED IN AS AMENDED DATE
726	2/12/87	2/20/87			2/20/87						
726	2/24/87	3/4/87									
730	2/16/87	2/20/87 2/19/87	3/12/87	tabled		3/19/87					
730	3/4/87					3/17/87					
733	2/13/87	3/6/87		3/10/87		3/4/87					
736	2/13/87	3/6/87		3/10/87							
739	2/13/87	3/6/87	3/10/87	tabled							
741	2/13/87	3/9/87	3/17/87	tabled							
743	2/16/87	2/19/87	2/20/87	tabled		3/18/87					
751	2/16/87	3/6/87				3/12/87					
756	2/16/87	3/6/87	3/12/87	tabled		3/12/87					
759	2/16/87	3/3/87	3/17/87	tabled							
768	2/16/87	3/11/87	3/19/87	tabled							
774	2/16/87	3/4/87	3/16/87	tabled							

: a separate sheet for Senate Bills, House Bills, and Resolutions.

MINUTES OF THE MEETING
TAXATION COMMITTEE
50TH LEGISLATURE

March 9, 1987

The meeting of the House Taxation Committee was called to order by Chairman Jack Ramirez on March 9, 1987, at 8:00 a.m. in Room 312B of the State Capitol.

ROLL CALL: All members were present. Also present was Dave Boyher, Researcher, Legislative Council.

CONSIDERATION OF HOUSE BILL NO. 741: Rep. John Harp, House District #7, sponsor of HB 741, said the bill would generally revise the law relating to health service corporations. He explained that the bill provides for consumer protection, financial examination of such corporations, application of the Unfair Practices Act, and treats those corporations the same as any other insurance company. Rep. Harp advised that corporation representatives must pass required exams, and said the purpose of the bill is to ensure protection currently afforded by statute.

PROPONENTS OF HOUSE BILL NO. 741: Robert Throssell, Chief Legal Counsel, Office of the Legislative Auditor, provided a fact sheet and explained that the bill was introduced at the request of the commissioner of Insurance (Exhibit #1). Mr. Throssell also provided a letter from Blue Cross/Blue Shield (Exhibit #2), and said 180,000 people are actually insured instead of the reported 242,000, and that the difference is in administration of 60,000 subscribers of other insurers. He provided a copy of a memo from Jim Borchardt, Chairman of the Boards of Examiners of the Montana Insurance Department to Andrea Bennett, State Auditor (Exhibit #3).

Mr. Throssell said HB 741 would utilize guarantee fund laws and allow freedom of choice in seeking physicians, as well as providing for unfair practices. He stated competitively rated health insurance is available in the market place, and that the GAO prepared a report on Montana and ten other states' comprehensive health care for high-risk individuals, and one on twenty-two other states with health premium corporations (Exhibit #4). Mr. Throssell also read from a prepared statement in support of the bill (Exhibit #5).

PROPONENTS OF HOUSE BILL NO. 741: Larry Daniels, President-elect, Montana Association of Health Underwriter, provided examples of situations experienced by BC/BS subscribers because of current regulations, and read from a prepared statement in support of the bill (Exhibits #6,7,8).

He said the consensus of the Montana Life and Health Underwriters is that BC/BS premiums are high enough and wouldn't warrant an increase.

Mona Jamison, representing Rocky Mountain Treatment Center, Great Falls, stated her support of the bill and said most BC/BS subscribers believe they have the same coverage, when they don't. She provided a copy of a GAL health insurance report wherein the GAO asked if health service corporations continued to offer open enrollment, covered high-risk conditions, and at the same rate as other companies, and offered coverage without regard to age or marital status (Exhibit #9). Ms. Jamison said the bill is an equity issue and that the existing situation is not fair to other licensed health insurers in the state. She urged the Committee to support the bill.

Tom Hopgood, Health Insurance Corporation of America, said he would echo prior statements made in support of the bill.

Roland D. Pratt, Executive Director, Montana Optometric Association, requested that the Committee support the bill.

Randy Bray, Lobbyist, State Association of Insurers, advised that a health service corporation should be subject to the same treatment as other health insurance companies in Montana.

OPPONENTS OF HOUSE BILL NO. 741: John Alke, Helena attorney representing BC/BS provided a copy of statistics and a financial report on health service corporations. He said that about 50% of the health insurance market in the state is covered by BC/BS, insuring many persons commercial insurers will not generally insure, such as small group. He stated that mutual and stock companies are highly profit-oriented and have a difficult time competing with the "Blues", while those companies get tremendous tax exemptions. He advised that with "freedom of choice" there will be no more direct provider contracts.

Rep. Kelly Addy, said he left signatures of residents of Prairie Tower in Billings, as opponents of the bill (Exhibit #11).

Rep. Paul Pistoria told the Committee that, in 1981, he had a problem with BC/BS and introduced HB 385 to audit nonprofit health insurance companies, resulting in biennial audits for BC/BS. He asked the committee to kill the bill, and said BC/BS is a good company.

Joe Weggenman, Executive Director, Helena Chamber of Commerce, asked the Committee to look at section 5 of the bill

and at 33-2-705, MCA, and said the bill is anti-economic development.

Lee Wipf, representing Hutterite people in Montana, read from a prepared statement in opposition to the bill. He stated he was unable to get an appropriate health plan from private group insurers, but was able to get coverage with BC/BS (Exhibit #12).

Jerry Richards, independent insurance agent, Billings, told the Committee the advantage of the "Blues" is that a subscriber does not have to have evidence of medical insurability, and that it is his personal opinion that the BC/BS conversion plan is one of the best in the industry. Mr. Richards explained that the Medicare supplement also requires no evidence of insurability, and no waiting period, as well as waiving pre-existing conditions.

Mike Dahlem, Montana Federation of teachers, said he opposed the bill and read from written testimony of Mrs. Mary Doubek, whose husband is a physician-rancher (Exhibit #13).

Dennis Corbett, Aluminum Workers Trade Council, Columbia Falls, told the Committee he represented about 700 workers in opposition to the bill.

Dan Wirak, Helena resident, told the Committee he had been treated well by the Blues, and opposed the bill.

Lloyd Anderson, a retired Montanan, asked the Committee to give the bill a do not pass recommendation.

Carol Walton, Livingston insurance agent, requested that the Committee oppose the bill because it would harm elderly and low income persons.

QUESTIONS ON HOUSE BILL NO 741: Rep. Ellison asked if the "Blues" would give up ASO business in lieu of the bill. John Alke replied he was unsure how to answer the question.

Rep. Sands asked what percentage of BC/BS business is ASO's. Mr. Alke replied it is about 2.5%.

Rep. Patterson asked for an explanation of fee increases. Mr. Throssell replied that the $300 fee in the bill is a licensing fee.

Rep. Asay asked what is required by statute now. Mr. Throssell replied that no financial investment is currently required of health service corporations.

Rep. Ellison asked how much in general fund dollars is needed to support the bill. Mr. Throssell replied the State Auditor has requested $40,000 for examinations this year.

Rep. Sands asked what the return on premium dollars is without ASO. Mr. Throssell replied that health service corporations were not required to separate out that information until this year.

Rep. Sands asked what the response has been to "freedom of choice". There was no response.

Chairman Ramirez asked if ASO business were subsidized by its own claims, as is service business. Mr. Alke replied that rather than look at ASO, he preferred to look at Medicare. He advised that about 40 staff members do nothing but Medicare, and that he did not know how many staff members worked on ASO.

Chairman Ramirez commented that the Fair Trade Practices Act for health service corporations, as stated in the bill, appears to be much more limiting than those for insurance companies. Mr. Alke said the had no objection to an amendment, but would like to look at any amendments to make certain that for-profit provisions are not there that don't apply to nonprofit corporations. He added that BC/BS enrollment reps. have already passed the licensing exam.

Chairman Ramirez asked about licensing. Mr. Alke replied he is not certain there is a need to license staff, and said he objects to the first four sections of the bill.

Chairman Ramirez asked how much profit is made in the ASO portion of the business. Mr. Cain, President of BC/BS, stated that the ASO portion is made up of three groups: (1) Medicare, which is just barely meeting costs; (2) state of Montana for nominating changes (cost per claim); and (3) Montana Power.

Rep. Ellison asked about the 50 cent subscriber fee. Mr. Throssell replied that other insurance companies are required to pay fees for examinations conducted, and that all revenue collected goes to the general fund.

Rep. Gilbert asked what the $5.6 million to the retirement system was for. Mr. Throssell advised it is for firemens' retirement and police in small cities and towns.

Rep. Gilbert asked if it were correct that one-fourth of premiums collected go to firemens' retirement. Mr. Throssell replied he would check that information and report back to the Committee.

CLOSING ON HOUSE BILL NO. 741: Rep. Harp summarized the GAO report, wherein the IRS recognized exemptions in the 1930's for health service corporations. He advised that the GAO report states health service corporations operate the same as health insurance companies do, and the state tax exempt status is no longer appropriate.

CONSIDERATION OF HOUSE BILL NO. 842: Rep. John Harp, House District #7, sponsor of HB 842, said the bill would revise the Montana individual income tax system and the method of calculating the amounts available for foundation program and permissive program support for elementary schools and high schools for the purpose of balancing the fiscal 1988-89 general fund budget. He explained that last September some members of the Committee attended a seminar on Montana taxation and found Montana to be below the national average.

Rep. Harp said the bill would lower the top margin on income tax from 11 percent to 8 percent, and that federal tax reform would remove approximately 30,000 low-income taxpayers from the tax rolls. He advised the plan would continue indexing against inflation and provide a minimum tax to assure all income earners would pay some tax. Rep. Harp said the bill would include all interest received from other states or political subdivisions, and as in the federal plan would exempt all interest rates of U.S. government obligations, railroad retirement benefits, and enrolled members of Indian tribes employed on federal reservations.

Rep. Harp told the Committee the Internal Revenue Code requirements would be the same, that if a federal return is filed, a state return must be filed, and that those filing jointly on a federal tax return would have to do so on a state tax return, in addition to granting extensions of up to six months.

Rep. Harp said the foundation program and the general fund are one and the same, and that excluding the $76 million federal windfall would probably be worse. He commented it was his understanding that the Appropriations Committee may be $20-40 million above that level by the end of the session. He advised that $52 million is needed in FY88 and $42 million in FY89, for the foundation program.

Rep. Harp stated that interest and income and net proceeds have experienced loss, and that there is a question on how to fund the foundation program under current law. He advised that foundation program is $48 million short now, and needs to be bridged for two and one-half years, to balance the budget as a result of major tax reform. Rep. Harp referred to an exhibit produced by Alec Hansen, Montana

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date March 9, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ	✓		
REP. ASAY	✓		
REP. ELLISON	✓		
REP. GILBERT	✓		
REP. HANSON	✓		
REP. HARP	✓		
REP. HARRINGTON	✓		
REP. HOFFMAN	✓		
REP. KEENAN	✓		
REP. KOEHNKE	✓		
REP. PATTERSON	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. SANDS	✓		
REP. SCHYE	✓		
REP. WILLIAMS	✓		

3-9-87
St. Aud.

EXHIBIT #1
DATE 3-9-87
HB 741

FACTS ON HOUSE BILL 741

A health service corporation is a non-profit corporation providing insurance plans for hospital and medical care. Under current law, health service corporations are exempt from many provisions of the Montana Insurance Code and are allowed to do business differently than other health insurance companies. H.B.741 addresses those differences and seeks to determine if such distinctions should be maintained, or if the same requirements should apply to all businesses providing health insurance in this state.

In equalizing the treatment of health service corporations and health insurance companies, the major provisions of H.B. 741 include:

1. Health service corporations would be regulated under the Insurance Code like all other insurance companies.

2. The bill assures consumer protections for customers of health service corporations such as freedom to choose what kind of doctor will provide treatment, financial examinations to ensure that the corporation will be financially sound and able to pay all claims, and prompt and fair claims settlements.

3. The bill requires health service corporations, and not the State, to pay the cost of financial and market study examinations. Other insurers already pay those same costs, and this change will remove the expense from the general fund and Montana's taxpayers.

4. Under this legislation, the tax treatment of all health insurers in Montana would be equalized by requiring health service corporations to pay the same tax on premium volume that all other insurance companies must pay.

5. H.B. 741 requires that health service corporations obtain a license. Currently, health service corporations are not licensed through the Insurance Department.

6. This legislation requires health service corporation "enrollment representatives" to pass the same examination as agents offering health insurance through other companies.

7. The bill adjusts fees paid by health service corporations to match those paid by health insurance companies.

This legislation <u>WILL NOT</u>:

*alter the non-profit status of health service corporations.

*change the financial requirements a health service corporation must establish and maintain in order to do business in Montana.

*restrict a health service corporation's ability to contract with doctors or hospitals to achieve cost control.

#1
HB 741
3-9-87

AMENDMENTS TO HOUSE BILL 741

1. Page 2, line 3.
Following: "corporations"
Insert: "as prescribed in 33-30-102"

2. Page 3, lines 5 through 6.
Strike: "referred to in 33-1-102"
Insert: "in the provisions listed in 33-30-102"

3. Page 4, line 8.
Strike: "title."
Insert: "chapter. In addition to the provisions contained in this chapter, other chapters and provisions of this title apply to health service corporations as follows: 33-2-705, 33-17-212, 33-17-213, and 33-17-214; and chapters 1, 15, 18, 19, and 22."

4. Page 6, line 7.
Strike: "is"

5. Page 6, lines 7 through 8.
Strike: "subject to the premium tax"
Insert: "shall pay on or before March 1 a 2.75% tax upon all dues and fees collected from members in the last calendar year in the manner prescribed"

6. Page 10, line 18.
Strike: "chapter 17"
Insert: "33-17-212, 33-17-213, and 33-17-214"

#1
HB741
3-9-87

M E M O R A N D U M

TO: Representative John Harp

FROM: Kathy Irigoin, Staff Attorney
Montana Insurance Department

SUBJECT: Information on premium tax and freedom of choice issues in House Bill 741

DATE: March 13, 1987

I. Premium Tax vs. Corporate Tax

A corporation may not be organized in Montana (or any other state) for banking or insurance. Corporation laws (including a corporate license tax), therefore, do not apply to banks or insurance companies. Historically, insurance companies have paid only a tax upon the net premiums received during the preceding calendar year. An insurance company pays the premium tax in lieu of all other state, county, city, district, municipal, and school taxes, licenses, fees, and excises.

A nonprofit corporation organized as a health service corporation does not pay a premium tax or a corporate license tax. A health service corporation is exempt from the corporate license tax in Montana as a "civic league or organization not organized for profit but operated exclusively for the promotion of social welfare".

The Federal Government determined, in 1986, that health service corporations should no longer be exempt from federal income tax because they are not "operated exclusively for the promotion of social welfare". Instead, they act and operate much like all other insurance companies. Health service corporations in Montana do not operate exclusively for the promotion of social welfare either and, therefore, should not be exempt from state taxation. (Twenty-two states already require health service corporations to pay a premium tax.)

II. Problems With Taxing Administrative Services Only (ASO)

A health service corporation collects a fee for administering ASO business like the State Employees' Health Plan. ASO business generates income to the health service corporation, separate from any premium income. Historically, neither insurance companies or health service corporations have paid an income tax. Presently, health service corporations do not

report their ASO business separately, making it difficult to determine how their ASO business relates to their regular "at-risk" business. Beginning in 1987, health service corporations will be required to report ASO business separately from their "at-risk" business.

III. Freedom of Choice

Section 12 of House Bill 741 (page 13, line 2 through line 4, page 14) requires health service corporation membership contracts to provide for freedom of choice of practitioners. Basically, this allows a member may choose any licensed physician, dentist, osteopath, chiropractor, optometrist, chiropodist, psychologist, licensed social worker, or nurse specialist to treat any illness or injury. All insurance companies are already required to let their policyholders choose anyone from that list to treat them. Presently, health service corporations exclude coverage of services provided by chiropractors or optometrists, neither of whom is a medical doctor, unless coverage of chiropractors or optometrists is specifically requested by a group in negotiating a group policy or an individual in purchasing an individual policy.

House Bill 741 does not interfere with health service corporation provider agreements through which providers agree not to charge more for a service than the health service corporation has established to be a reasonable charge, e.g., $500 for an appendectomy. If a member goes to a participating provider, he or she can be assured that the provider will not charge more than $500 for an appendectomy. The member will pay 20% of the $500 charge, and the health service corporation will pay the remaining 80%. If, however, a member goes to a non-participating provider, the non-participating provider may charge $600 for the appendectomy. The member then pays $100 (the difference between the amount the non-participating provider charged and the health service corporation thinks is a reasonable charge) PLUS 20% of the $500 that the health service corporation thinks is a reasonable charge. In any event, the health service corporation pays only 80% of $500 for a appendectomy. If provider agreements achieve cost containment for anyone, it's the health service corporation, not the member. (Please note that I made up the charges. I don't know what Blue Cross/Blue Shield thinks is a reasonable charge for an appendectomy).

Section 12 does not prevent a health service corporation from contracting with health care providers to achieve health care cost containment. It simply says that, if I choose a chiropractor to treat my back, the health service corporation cannot refuse to pay whether or not the chiropractor has a provider agreement with the health service corporation.

Blue Cross
and
Blue Shield
of Montana

DATE 3-9-87
HB 741

Helena Division
404 Fuller Avenue • P.O. Box 4309
Helena, Montana 59604
(406) 444-8200

Great Falls Division
3360 10th Ave. South • P.O. Box 5004
Great Falls, Montana 59403
(406) 761-7310

February 14, 1987

Reply to Helena Division

Dear Blue Cross and Blue Shield Member:

We need your help!

State Auditor Andrea Bennett has just introduced legislation that will drive up the cost of your Blue Cross and Blue Shield health care coverage.

Mrs. Bennett thinks Blue Cross and Blue Shield should be just like any other health insurance company doing business in Montana. As you know, we aren't like commercial for-profit companies, mainly because we are non-profit. We don't have stockholders and we don't pay anyone dividends. We provide jobs for 450 people and our Board of Directors consists of 15 Montanans. Because we are non-profit and have contractual agreements with doctors and hospitals to save you money when you need their services, 88 cents of every dollar collected over our 40-plus years of business has been returned in benefits paid for the 242,000 Montanans we cover.

Mrs. Bennett has proposed a law that will add a tax of 2.75% to your Blue Cross and Blue Shield dues. We think the people of Montana deserve a choice. Mrs. Bennett's bill to tax your health care, as a Blue Cross and Blue Shield member, should be defeated.

We will oppose House Bill 741 on your behalf. You can help defeat this health care coverage tax by writing a member of the House Taxation Committee which will discuss the bill shortly and let them know of your opposition. A list of Committee Members is on the reverse side.

We appreciate your business and will do everything possible to see that this tax on your Blue Cross and Blue Shield coverage is defeated.
Thank you for your help.

Sincerely,

Alan F. Cain
President and
Chief Executive Officer

3-9-87
741

M E M O R A N D U M

TO: Andy Bennett, Commissioner of Insurance

FROM: Jim Borchardt, Chief Examiner
Montana Insurance Department

SUBJECT: Explanation of 88¢ that Blue Cross/Blue Shield claims it pays to its subscribers from every dollar collected

DATE: March 6, 1987

In his February 14, 1987, letter to Blue Cross/Blue Shield (BC/BS) members, Alan Cain, the president of that health service corporation, notes that 88¢ of every dollar collected from members was returned to them in the form of benefits paid. Mr. Cain also mentions that BC/BS covers 242,000 Montanans. Both of these statements appear to be misleading and/or misrepresentative of the facts. The following discussion will explain why I believe this to be so.

The business of BC/BS falls primarily into two types. One type is the "at-risk" business. The corporation receives a stipulated premium for its "at-risk" business and hopes that the claims it pays, together with its administrative expenses, will not exceed the premium charged, so that it does not lose money.

The other type of business is the so-called "administrative services only" (ASO) business. In this segment of its business, BC/BS merely acts as an administrator in paying the health claims of an employer who is self-insuring the health care of his employees. In this scenario, BC/BS charges back to the employer the total of the health care claims it has paid after adding a charge to cover its administrative expenses and to provide a modest "profit." BC/BS cannot lose money on ASO business unless it underestimates its administrative expenses in the charge-back to the employer.

When BC/BS reported these two types of business in its annual statement, it was required to combine them on the income statement. This combination of items results in a distortion of benefit payment per dollar. By its very nature, ASO business will have a very high benefit payout per dollar (90¢ to 95¢ is certainly possible), since administrative expenses are typically low. Thus, when ASO business is combined with "at-risk" business, the benefit payout per dollar appears higher than it would be for "at-risk" business alone. Therefore, the statement that 88¢ of every dollar is paid out

in benefits appears questionable, if it intends to convey the impression that this is what has happened on the "at-risk" business.

Per new nationwide reporting regulations, the annual statement of BC/BS for calendar year 1986 will reflect, for the first time, the ASO and "at-risk" business separately. However, our office has not yet received BC/BS's annual statement so that we can see the separate business segments.

Mr. Cain says BC/BS covers 242,000 Montanans. Yet, on the Genetics Program Charge form that BC/BS filed with the Montana Insurance Department in late February, 1987, BC/BS indicates that it insures 179,482 Montanans. It is possible that the roughly 60,000-person discrepancy reflects the number of Montanans covered under ASO plans. If true, then ASO business represents about one-fourth of the total number of Montanans that BC/BS covers. The benefit payout per dollar for BC/BS's "at-risk" business is most likely much lower than 88¢.

EXHIBIT #4
DATE 2-7-87
HB 741

#4
87
741
Aud

Summary of Report by United States General Accounting Office
to the Chairman, Subcommittee on Health,
Committee on Ways and Means
United States House of Representatives
"Comparing Blue Cross and Blue Shield Plans
With Commercial Insurers"

I. Introduction

Until 1986, the IRS exempted Blue Cross and Blue Shield plans (the plans) from federal income tax. Before Congress removed the tax-exempt status of the plans, the United States General Accounting Office (GAO), in July, 1986, published a report examining the potential impact on the availability of health insurance if the plans were taxed.

II. GAO's Conclusions

When the plans' tax-exempt status was initially recognized, they offered one community rate whereby all subscribers--group and individual--paid a uniform rate regardless of individual health status. Higher risk individuals benefited because their premiums were subsidized by lower risk individuals. Today, the plans, like commercial insurers, experience-rate their large groups, which constitute the majority of their business. Experience-rating means the plans base their premiums wholly or partially on the group's health experience. Also, the plans' pricing methods for individuals resemble the experience-rating methods used by commercial insurers because the plans set separate rates for high-risk individuals. The plans' subsidy for high-risk individuals is reduced because large groups are experience-rated.

The GAO concluded that taxing the plans should not affect the availability of health insurance for most Americans, who are insured as members of large, employer-paid groups. Adverse effects, if any, would be limited to high-risk individuals and small groups because commercial insurers would cover most individuals and small groups. The significant differences between nonprofit and for-profit insurers that justified the tax exemptions have been eroded by competitive developments.

III. Reasons to Remove Tax Exemption

The GAO considered the following reasons presented by commercial insurers for removing the plans' tax-exempt status:

1. The plans sell the same health insurance products in the same markets as for-profit insurers who pay federal income tax.

2. The plans' pricing methods and underwriting practices are almost indistinguishable from those of commercial health insurers.

3. The plans are not unique in insuring high-risk insurers as evidenced by the fact that 11 states have mandated licensed health insurers to share in the financial burden associated with insuring medically uninsurable individuals (please note that Montana is one of those 11 states).

4. The tax exemption creates an unfair competitive advantage for the plans.

IV. The Plans' Reasons to Continue Tax Exemption

The plans presented the following reasons to support the continuation of their tax-exempt status:

1. The plans are nonprofit community service organizations that finance health care for individuals and small groups who could not obtain health insurance elsewhere.

2. For-profit insurers have an obligation to their stockholders to be selective in the risks they underwrite, while the plans have an obligation as social welfare organizations to offer coverage to the widest possible segments of the population.

3. If taxed, the plans may no longer be as willing to insure high-risk individuals, transferring to the public sector the burden of caring for the medically uninsurable.

In rejecting the plans' reasons, the GAO noted that at least 11 states have established pools for the medically uninsurable, which indicates both that the plans are not financing health care for the medically uninsurable and that the burden of caring for the medically uninsurable has already been transferred to the public sector. The GAO noted further that commercial insurers, like the plans, accept substandard health risks, which means that for-profit insurers, while selective in the risks they underwrite, do offer coverage to a wide segment of the population. Although not mentioned in the GAO report, Montana (in 1985) transferred the burden of caring for the medically uninsurable to the Comprehensive Health Association and Plan, a plan that mandates each licensed insurer, insurance arrangement, society and health service corporation to participate in covering individuals who cannot obtain health insurance.

#5 87 ed

ROBERT THROSSELL, ATTORNEY Written testimony on behalf
STATE AUDITOR & COMMISSIONER OF INSURANCE

EXHIBIT #5
DATE 3-9-87
HB

HOUSE BILL NO. 741

General Revision of Health Service Corporation Laws.

A health service corporation is a non-profit corporation created to provide plans of hospital and medical care. Because of its non-profit status, the Legislature has granted health service corporations the right to conduct their business in a different fashion than insurance companies. This bill highlights the differences between health service corporations and insurance companies. In doing do, the bill addresses the issue of whether the distinctions between health service corporations and insurance companies should be maintained.

Section 1 of the bill amends 33-1-102, MCA. This section exempts health service corporations from the provisions of the Insurance Code to the extent that their existence and operation is authorized as a non-profit corporation in by Title 35, Chapter 2, MCA. Under Montana law, an insurance company is not incorporated under Title 35, dealing with business corporations. Insurance companies are incorporated under the applicable insurance laws.

Health service corporations by statute must be non-profit. Their existence is governed by the provisions of the Non-Profit Corporations Act. This bill clarifies that while a health service corporation's existence is authorized under Title 35, Chapter 2, its operation falls under the provisions of Title 33, the Insurance Code.

Section 2 of the bill amends Section 33-1-201, MCA. This section is the general definition section of the Insurance Code. The definition of "Insurer" is amended to include health service corporations. By this change, when the term insurer is used in the Insurance Code, health service corporations will be included. Other portions of the bill clarify the applicability of the Insurance Code to health service corporations.

Section 3 of the bill carries the clarification one step farther by specifying in Section 33-30-102, MCA, the appropriate regulatory statutes for health service corporations. By substituting the word code for chapter, it clarifies that health service corporations fall under the insurance laws in Title 33. No change has been suggested to the second subsection of 33-30-102, MCA, which is a direction on how conflicting laws are interpreted. The specific terms of Chapter 30 governing health service corporations will control if there is a question between conflicting statutes. The effect of the changes in the first three Sections of the bill is to place health service corporations under the entire Insurance Code unless specifically excluded.

Section 4 of the bill allocates the expenses for the examinations that the Commissioner is directed to conduct on

health service corporations. Under existing law, insurance companies are charged for any examination. (See Section 33-1-413, MCA.) The Commissioner may conduct a general financial examination only if a health service corporation is unable to fulfill its contractual obligations. (See Section 33-30-105, MCA.) Further the Commissioner is directed to, at least once every four years, conduct an examination of a health service corporation to determine whether it is meeting its contractual obligations, satisfying claims and generally operating with appropriate fiscal controls for the efficient and economic administration of its programs.

Section 4 of the bill, as amended, will subject health service corporations to routine general financial examinations at least ever three years. This will be identical to the schedule of financial examinations faced by insurance companies. It is senseless to conduct an examination after the company is experiencing problems. A primary purpose of a general examination is to prevent problems. As with the general financial examinations of insurance companies, the health service corporation will be charged for the cost of the examination. There is no basis to treat health service corporations any differently than insurance companies.

The second type of examination, known as a market study examination, is for the purpose of determining whether a health service corporation is living up to its service obligations to its members. To fund the market conduct examination in previous years, the Insurance Commissioner has had to ask for a special appropriation. Section 4 of this bill provides that health service corporations pay the cost of the market conduct examination.

Section 5 of the bill imposes the premium tax in Section 33-2-705, MCA, on the premiums or dues charged by a health service corporations. Currently under Section 33-30-203, MCA, health service corporations are exempt from paying premium tax. Instead they pay a charge of 50 cents per individual or family unit covered. The premium tax statute levies a 2 3/4% tax on the net direct premium written in the state of Montana.

All insurance companies selling in the state of Montana pay the premium tax. Insurance companies build into their rate structure an additional 2 3/4% to cover the premium tax. This places health insurance companies at a disadvantage when competing against health service corporations.

Section 6 amends Section 33-30-204, MCA, to set the fees charged for various licenses and filings of a health service corporation on par with those charged insurance companies doing business in this state. The fees are similar to those found in House Bill 372 which is a general revision of the fee structure applicable to insurance companies. New fees are instituted for a health service corporation license and the continuation of that license. Section 10 of the bill addresses the requirement

for licensure of health service corporations doing business in this state.

The other change proposed in Section 6 is in subsection 2 of the statute which now has the various fees charged health service corporations deposited in the general fund. The bill designates that the fees be deposited in the Insurance Regulatory Trust Account. Any balance in the account reverts to the General Fund. This will treat the fees collected from health service corporations like the fees collected from insurance companies. It will have no effect on general fund revenues.

Section 7 of the bill amends the current form filing laws applicable to health service corporations to conform with the existing law for insurance companies. This amendment is submitted because there is no valid reason why health service corporations should be treated differently than insurance companies. Part 5, Chapter 1, of the Insurance Code sets forth the filing requirements, the responsibilities of the Insurance Commissioner, and the right of the company filing the forms to a hearing and an appeal if it disagrees with the decision of the Insurance Commissioner. The changes proposed by Section 7 will provide for one uniform form filing procedure.

Section 8 of the bill amends Section 33-30-307, MCA, which requires that when a health service corporation increases its rate, in addition to a written 45 day notice to members, it must also provide the mailing address of the Commissioner of Insurance. Under current law, the Commissioner of Insurance is prohibited from reviewing the rates charged by health service corporations. (See Section 33-30-306(4), MCA). The notice provision creates a deluge of mail to the Insurance Commissioner every time a health service corporation raises its rates. Because the Insurance Commissioner is not given the power to make any changes to those rates, it is a useless exercise. Section 8 deletes the meaningless step of having the Insurance Commissioner's mailing address attached to the rate increase notice.

Section 9 amends Section 33-30-312, MCA, allowing health service corporations to use enrollment representatives to sell their product. An enrollment representative solicits memberships in a health service corporations' plans. The changes proposed by Section 8 provide that enrollment representatives pass the same examination given to applicants for a disability insurance agent's license.

A person who has passed the examination to sell disability insurance should be familiar with the various products available in the market place. When an enrollment representative solicits a person to become a member of a health service corporation plan, he should be able to explain to the consumer the differences between a disability program offered by an insurer and a health service corporation. He will be

better able to assist the consumer in determining which type of coverage suits the person's needs.

Section 10 amends Section 33-30-1007, MCA. This change is also being requested in Section 33-22-504 of the Code under group disability insurance. The change allows for the right of conversion when an employer discontinues a group policy. If an employer decides to discontinue coverage, this change would allow an employee to convert to another plan offered by a health service corporation. The conversion right is limited to the situation when the employer does not provide any other group disability insurance or plan. This is to prevent the employer from dropping coverage to force people in the group that may be incurring high medical costs off onto the health service corporation and then turning around and purchasing group insurance at a lower rate from another carrier.

Section 11 establishes a license requirement for health service corporations. An insurance company doing business in this state must have a certificate of authority or license. The same requirement does not exist for a health service corporation. In addition, if an insurance company violates the terms of Montana law it is subject to losing its license. No such similar requirement exists for health service corporations. This licensing requirement gives the Insurance Commissioner the necessary control to ensure that a health service corporation is complying with Montana law. The other sections of this bill, which bring the health service corporation under the general insurance laws, provide that before any action can be taken to revoke or suspend a company's license, it is entitled to a hearing and an appeal from any decision made by the Insurance Commissioner.

Section 14 of the bill provides the codification instruction for the new section on licensing health service corporations.

Section 12 of the bill enacts a freedom of choice provision for health service corporations placing them on an equal footing with insurance companies. Insurance companies offering disability insurance are required by the freedom of choice of practitioner law, Section 33-22-111, MCA, to allow an insured to seek treatment from a variety of licensed health care professionals. This same right does not exist for people covered by a health service corporation plan.

Section 12 also addresses the issue of the compensation that must be paid to the practitioners selected. Health service corporations are structured so that they obtain working agreements with physicians to provide service at a fixed rate. Physicians who enter into these agreements are guaranteed prompt payment at that rate. Physicians who do not enter into agreements are not precluded from treating members of health service corporation plans. They are, however, only compensated at the contract rate.

Subsection 3 in Section 12 preserves the right of a health service corporation to limit its payment to the amount that is paid to contracting practitioners for similar services. This way a health service corporation can still contain cost by contracting with practitioners at an agreed upon rate. The right of the consumer is expanded in that they will have the option of seeking treatment from any of the practitioners listed in the bill. The fixed rate would apply to any listed practitioner a member elected to visit.

Section 13 is an extension of authority allowing the commissioner to adopt rules on the provisions of the act if she finds them necessary.

Section 14 provides the codification instruction for Section 12.

Section 15 establishes an applicability date for the provisions Section 12. The freedom of choice of practitioner provisions would apply to any contract entered into or renewed after June 30, 1988. This will allow time for health service corporations to adjust rates and forms to comply with the changes.

In summary, House Bill No. 741 eliminates many of differences between health service corporations and insurance companies. There is no basis for distinguishing many of the activities of health service corporations from those of insurance companies. Both compete to provide health insurance coverage to consumers of the state of Montana. The freedom of choice of practitioners law, unfair trade practices protections and financial examination are examples of requirements which all other insurers must meet. If the people of Montana are to enjoy the protections the Legislature envisioned by enacting laws regulating insurance companies, these same laws need to be extended to health service corporations.

#6
3-1-87

SCHEDULE G

Showing (1) all payments in excess of $1,000 to each Trade Association, Service Organization, Statistical, Actuarial or Rating Bureau or Organization during the year; and (2) all salaries, compensation and emoluments, except for certain bonafide commissions paid to or retained by agents, received in the current year by: (a) each director or trustee regardless of the amount thereof, (b) each of the ten officers or employees receiving the largest amounts in excess of $50,000. (Include in this schedule the aggregate amount received by the officer or employee attributable to services to the reporting insurer whether paid directly by the insurer or by related or affiliated companies.), and (c) any other person, firm or corporation if the amount received was in excess of $100,000 except for amounts included in Schedules J and K. (Any other amounts to be shown where required by statute.)

LIST ITEMS UNDER (1) AND (2) IN SEPARATE GROUPINGS

1 No.	2 Name of Payee	3 Address of Payee	4 Amount Paid
1	American Hospital Assn.	Chicago, Illinois	1,000
1	Montana Hospital Assn.	Helena, Montana	1,400
1	William Nightingale	Lynwood, Washington	23,270
1	Milliman & Robertson, Inc.	Atlanta, Georgia	31,899
1	Blue Cross Association	Chicago, Illinois	171,672
2(a)	Members of the Board of Trustees receive travel and lodging expenses for Board and Committee meetings only.		
2(b)	Terry Screnar	Great Falls, Montana	78,960
	Carl J. Tanberg	Great Falls, Montana	60,591
	Ronald C. King	Great Falls, Montana	57,630
	Clyde M. Bigelow	Great Falls, Montana	56,931
	Robert McCann	Great Falls, Montana	50,061
	Lawrence L. Shannon	Kalispell, Montana	49,712
	William N. Jensen	Great Falls, Montana	44,862
	James O. Carlson	Billings, Montana	39,366
	Michael A. Wagner	Great Falls, Montana	39,048
	Robert B. Morton	Great Falls, Montana	38,704

#6
HB 74

ANNUAL STATEMENT FOR THE YEAR 1985 OF THE MONTANA PHYSICIAN'S SERVICE (Name) Form 3

SCHEDULE G

Showing (1) all payments in excess of $1,000 to each Trade Association, Service Organization, Statistical, Actuarial or Rating Bureau or Organization during the year; and (2) all salaries, compensation and emoluments, except for certain bonafide commissions paid to or retained by agents, received in the current year by: (a) each director or trustee regardless of the amount thereof, (b) each of the ten officers or employees receiving the largest amounts in excess of $50,000, (Include in this schedule the aggregate amount received by the officer or employee attributable to services to the reporting insurer whether paid directly by the insurer or by related or affiliated companies.), and (c) any other person, firm or corporation if the amount received was in excess of $100,000 except for amounts included in Schedules J and K. (Any other amounts to be shown where required by statute.)

LIST ITEMS UNDER (1) AND (2) IN SEPARATE GROUPINGS

1 Title	2 Name of Payee	3 Location of Payee	4 Amount Paid
Association	Nat'l Assn. of Blue Cross & Blue Shield	Chicago, Illinois	88,326
Electronic Data Systems	E.D.S.	Dallas, Texas	1,018,204
Wendt Advertising	Wendt Advertising	Great Falls, Montana	175,679
I.B.M.	I.B.M.	Helena, Montana	754,554
Mountain Bell	Mountain Bell	Salt Lake City, Utah	172,880
Chairman Board	M.E. Donovan	Helena, Montana	77,844
President	A.F. Cain	Helena, Montana	100,780
Vice President	T.F. Mullaney	Helena, Montana	66,760
Vice President	T.P. Cladouhos	Helena, Montana	59,025
Vice President	H.L. Rawson	Helena, Montana	52,841
Vice President	D.D. Jones	Helena, Montana	52,657
District Manager	R.W. McPhail	Helena, Montana	72,837

741

EXHIBIT 4
DATE 3-7-87
SB

MEDICARE COMPARISON - BASIC COVERAGE: PART A DEDUCTIBLES COVERED, PART B PAYS 20% OF APPROVED CHARGES 741

BLUE CROSS	BLUE SHIELD	FIRST FARWEST	RESERVE	UNTON BANKERS	BANKERS LIFE THE PRINCIPLE
$43.70 4th Low	$33.74 3rd Low	$28.67 1st Low	$47.79 5th Low	$56.42 6th Low	$31.44 2nd Low

ABOVE RATES REFLECT AGE 65 only, rates could be higher for older age.

NOTE: ALL PLANS QUOTED EXCEPT BLUE SHIELD ARE MEDICALLY UNDERWRITTEN AND ARE AVAILABLE TO THOSE OVER AGE 65 WHO QUALIFY MEDICALLY. BLUE SHIELD IS ONLY AVAILABLE AT AGE 65 OR DURING PERIODS OF OPEN ENROLLMENT, THE LAST BEING SPRING 1986, PRIOR OPEN ENROLLMENT WAS 2 YEARS PRIOR TO THAT OPEN ENROLLMENT DATE; DURING THIS OPEN ENROLLMENT PERIOD, THERE ARE NO MEDICAL QUESTIONS AND NO PRE-EXISTING WAITING PERIOD.

PRE-EXISTING PERIOD ON ALL PLAN OTHER THAN BLUE SHIELD IS UP TO 6 MONTHS, RANGING FROM 1 to 6 months.

ALL RATES REFLECT CURRENT 1987 RATES.

Policy Premium Comparison

Individual Policy

Family Monthly Premium	M30 F27 1child		M35 F32 2child	M40 F38 4child	Average	
1st Health	120.33	1	140.33	147.33	136.00	1
1st Provider	135.33	4	162.33	207.33	168.33	4
Principle	159.05	3	159.05	166.21	161.44	2
Blue Cross	141.00	4	186.00	203.00	177.00	4
Blue Shield	120.56	2	156.58	219.48	165.54	3

Premium	Age 25	Age 35	Age 45	Age 55	Column Average
First Health	$34	$41	$55	$73	$51
1st Provider	$43	$52	$70	$94	$65
Principle	$52.95	$57.21	$69.38	$100.74	$70.07
Blue Cross	$50	$67	$84	$101	$75
Blue Shield	$41.56	56.06	68.04	73.66	59.82

Non-Smoker

Policy Premium Comparison - Standards

	First Health	First Provider	Bankers Life	Blue Cross	Blue Shield
Maximum	1,000,000	1,000,000	No Limit	1,000,000	No Limit
Deductible	200/100	250	250	300	250
Family Max	No Limit	Limit 2	2 x Deduct	Limit 2	500
Accident	Waived Ded.*	$300 Sup Acc	NA	$500 Sup Acc	
Room & Board	80%/250	80% Semi	80%	80% Semi	80% Semi
ICU	80%/750	80% Full	80%	80% UCR	80%
Extras	80%	80%	80%	80% UCR	80%
Surgery	80% 74 CRVS	80% UCR	80%	100% UCR	80%
O.O.P.	12,500	5,000	5,000	7,500	5,000
Prescription	None	None	80% after Ded	80% / Ded	80% /Ded
Maternity	Comp. Only	Comp. Only	Included	100% UCR	Included
All Pract	Yes	Yes	Yes	No	No

* Not available on $5,000 Deductible Plan

Jerry Daniels
Ex #8
3-9-87
HB 741

EXHIBIT #8
DATE 3-9-87
HB 741

Group Premium Comparison #1

Company	Group A	Group B*	Group C
Central Life Assurance Co.	$2837.35	$1279.99	$350.39
Principal Mutual Life Ins. Co.	$2812.76	$1477.19	$431.33
Blue Cross/Blue Shield	$2087.60	$1220.92	$418.20
Transamerica Occidental	$1573.08	$868.53	$346.88

Group Premium Comparison #2

Company	Group D
Transamerica Occidental Life	$967.13
Blue Cross/Blue Shield	$978.56

* Includes dental benefits with $500 Maximum

Group Composition

	Age	Spouse (Y/N)	# Children
Group A is a law firm with 18 employees	35	Y	2
	40	Y	2
	45	Y	2
	45	Y	2
	50	Y	1
	55	Y	
	65	Y	
	25	Y	1
	30	Y	1
	35	Y	2
	25	N	
	26	N	
	27	Y	2
	29	N	
	30	Y	2
	32	N	
	33	N	
	35	N	
Group B is a light manufacturer with 10 employees	45	Y	2
	45	Y	
	40	Y	2
	38	Y	3
	25	N	
	26	N	
	48	N	2
	24	Y	1
	25	N	
	23	N	
Group C is a family ranching operation with 3 employees	66	Y	
	40	Y	2
	38	Y	2
Group D is a small retail firm with 8 employees	45	N	
	45	N	
	40	Y	2
	55	Y	8
	65	N	
	35	Y	1
	55	N	
	64	Y	2

Group Policy Comparison Standards

	Central Life	Principal*	BC/BS	Transamerica
Maximum	*$1,000,000*	*Unlimited*	*Unlimited*	*$10,000,000*
Deductible	*$300*	*$250*	*$300*	*$300*
Coinsurance	*80/20*	*80/20*	*80/20*	*80/20*
Family Max out of pocket	*$3400*	*$2500*	*$1000 per person--no family limit*	*$5000*
Accident	*Ded. Waived*	*Ded. Waived*	*100% UOC***	*Ded. Waived*
Room and board	*Semi-private*	*Semi-private*	*Semi-private*	*Semi-private*
ICU	*UOC***	*UOC*	*UOC*	*UOC*
Maternity	*As any other illness*	*As any other illness*	*As any other illness*	*As any other illness*
All Practitioners	*Yes*	*Yes*	*No*	*Yes*

* *Covers Wellness--all routine examinations and innoculations for children and adults are covered with the same benefits as any illness.*

** *UOC refers to usual and customary charges.*

ina Jamison
7441

GAO

United States General Accounting Office

Report to the Chairman, Subcommittee on Health, Committee on Ways and Means House of Representatives

EXHIBIT #9
DATE 3-9-87
HB 74

July 1986

HEALTH INSURANCE

Comparing Blue Cross and Blue Shield Plans With Commercial Insurers

GAO/HRD-86-110

EXHIBIT #9
DATE 3-9-97
HB 741

Part 3 — Operations

33-30-301. Forms — filing, approval, hearing on disapproval, appeal.
33-30-302. Allowed contracts.
33-30-303. Grievance procedure for members.
33-30-304. Nonliability for injuries caused by contractees.
33-30-305. Prohibited trade practices.
33-30-306. Discrimination between individuals — restrictions — ratesetting by commissioner prohibited.
33-30-307. Notice of rate increases — comment to commissioner.
33-30-308 through 33-30-310 reserved.
33-30-311. Enrollment representative.
33-30-312. Enrollment representative — filing with and approval by commissioner — license.
33-30-313. Licenses — refusal to issue — suspension — revocation — hearing.

Parts 4 through 9 reserved

Part 10 — Health Service Corporation Plans

33-30-1001. Newborn infants covered by insurance by health service corporation.
33-30-1002. Disability coverage of services received in state institutions — coverage of persons eligible for public medical assistance.
33-30-1003. Continuation of coverage for handicapped — individual contracts.
33-30-1004. Continuation of coverage for handicapped — group contracts.
33-30-1005. Right of rescission.
33-30-1006. Continuing group coverage after termination.
33-30-1007. Conversion on termination of eligibility.
33-30-1008. Preexisting conditions.
33-30-1009. Insured's family — conversion entitlement.
33-30-1010. Renumbered 33-30-1021 by Code Commissioner, 1983.
33-30-1011. Dentists performing services common to both medicine and dentistry.
33-30-1012. Coverage for services provided by professional counselors.
33-30-1013 through 33-30-1020 reserved.
33-30-1021. Applicability.

Chapter Cross-References

Jurisdiction of providers of health care benefits. Title 33, ch. 1, part 11.

Comprehensive health association and plan. Title 33, ch. 22, part 15.

Part 1

General Provisions

33-30-101. Definitions. As used in this chapter, the following definitions apply:

(1) "Health service corporation" means a nonprofit corporation organized or operating for the purposes of establishing and operating a nonprofit plan or plans under which prepaid hospital care, medical-surgical care, and other health care and services, or reimbursement therefor, may be furnished to a member or beneficiary.

(2) "Health services" means the health care and services provided by hospitals or other health care institutions, organizations, associations, or groups and by doctors of medicine, osteopathy, dentistry, chiropractic, optometry, and podiatry; nursing services; licensed social worker or psychologist; medical appliances, equipment, and supplies; drugs, medicines, ambulance services, and other therapeutic services and supplies.

33-30-304. Nonliability for injuries caused by contractees. A health service corporation is not liable for injuries resulting from neglect, misfeasance, malfeasance, or malpractice on the part of any person, organization, agency, or corporation rendering health services to the health service corporation's members and beneficiaries.

History: En. 40-5914 by Sec. 14, Ch. 319, L. 1975; R.C.M. 1947, 40-5914.

33-30-305. Prohibited trade practices. In order to regulate trade practices of health service corporations the following practices are prohibited:

(1) No person may make, issue, circulate, or cause to be made, issued, or circulated any estimate, circular, or statement misrepresenting:

(a) the terms of any health service corporation membership contract issued or to be issued; or

(b) the benefits or advantages promised thereby.

(2) No person may make any misleading representation or any misrepresentation as to the financial condition of any health service corporation.

(3) No person may make, publish, disseminate, circulate, or place before the public or cause, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public in a newspaper, magazine, or other publication or in the form of a notice, circular, pamphlet, letter, or poster or over any radio or television station or in any other way an advertisement, announcement, or statement containing any assertion, representation, or statement with respect to the business of a health service corporation which is untrue, deceptive, or misleading.

(4) No person may make or issue or cause to be made or issued any written or oral statement misrepresenting or making incomplete comparisons as to the terms, conditions, or benefits contained in any health service corporation membership contract for the purpose of inducing or attempting or tending to induce a member to cancel or convert any membership contract.

(5) No person may file with any public official or make, publish, disseminate, circulate, or deliver to any person or place before the public or cause directly or indirectly to be made, published, disseminated, circulated, delivered to any person, or placed before the public any false statement of financial condition of a health service corporation with intent to deceive.

(6) No person may make any false entry in any book, report, or statement of any health service corporation with intent to deceive any agent or examiner lawfully appointed to examine into its condition or into any of its affairs or any public official to whom that health service corporation is required by law to report or who has authority by law to examine into its condition or into any of its affairs or, with like intent, willfully omit to make a true entry of any material fact pertaining to the business of that health service corporation in any book, report, or statement of the health service corporation.

(7) No person may make, publish, disseminate, or circulate, directly or indirectly, or aid, abet, or encourage the making, publishing, disseminating, or circulating of any oral or written statement or any pamphlet, circular, article, or literature which is false or maliciously critical of or derogatory to the financial condition of a health service corporation or of an organization proposing to become a health service corporation and which is calculated to injure any person engaged or proposing to engage in the business of operating a health service corporation.

EX #11
3-9-87
HB 741

#11
DATE 3-9-87
HB 741

Elsie Kaufman
Prairie Tower
725 North 25th Street
Apartment 304
Billings, Montana 59101

Representative Kelly Addy:
Capital Station
Helena, Montana 59602

Dear Mr. Addy:

We the residents of Prairie Tower are writing in opposition to HB 741. This bill would raise our Blue Cross and Blue Shield dues by 2.75% for taxes. This is an increase we cannot afford.

Ruth Travis
Vard Anderson
Helena Wise
Ruth Thompson
Anna Baudoin
Elsie Kaufman
Elbista Richards
Maxine Calloway
Emily Runnion
Elaine G. Maxwell
Grace Fahlberg
Emil Wolf
Alberta L Doty
Ruth McClogg
Esther Wilmot
Mary Costello
Kenneth Hermann
Vera Drill
Julia Walter

Jim G. Driver
Alice Foltz
Loretta M. Kadia
Harriet Simnock
Nilda Spaulding
Catherine E Winters
Jessie Bayer
Ann Grossman
Eleanor Smith
Rose Ackroff
Willie Allison
Anna Snell
Lee X Allen
Mary Bloom
Eleanor Schanosh
Lucia Judd
Zola Lamson
Dorothy Harris

cc: Pat Reagan

Caroline Wittmer
Alex Traylor
Essie McCoy
[illegible]
Margaret Harmon
Claradean Hart
Helen Gustafson
Mario Mahn
Beulah Booth
Mabel Green
B. Lorraine Nichols
Agnes Ripley
Mable Lee
Adam Kurtz
[illegible]
Johanna Humphriff
ada Sloud
Jean Horner
Nola Jelly
Bill Jelly
Dorothy Scranton
[illegible]

Myra Freeman
Earl Langston
Hattie Crenshaw
Evelyn Knapp
Frank [illegible]
Vida Bartell
Roy J. Guisinger
Jute Dean Hamilton
Betty Foster
Ted McVay
Lillian Horner
Annie Peterson
Pearl Defferding
Ramsey Anderson
[illegible]
Emmie Bonar
J. L. Oak
Ina Mae Oak
Amanda Hausch
Gertie Harper
Sarah Harvey
Everett P. Benson
Beatrice A. Murray

#1
DATE 3-9-87
HB 741

March 9, 1987

Chairman Jack Ramirez and
Members of the House Taxation Committee
Capitol Station
Helena, Montana 59620

Submitted By: Rev. Daniel Wipf, Trustee
Lehreleut Hutterite Group Insurance Trust
Big Sky Colony
Cut Bank, MT 59427

Chairman Ramirez and Members of the House Taxation Committee:

I am here to represent approximately 1,200 Hutterite people who live in Montana. We are insured under the Lehreleut Hutterite Group Insurance Trust which is governed by a five member Board of Hutterite Trustees. Our group utilizes the services of Blue Cross and Blue Shield of Montana, and have utilized these services since 1982.

We have several matters to state in regard to House Bill #741, but prior to discussing these matters, our Board feels it necessary to let you ladies and gentlemen know of the Hutterite position in relation to Governments. This is best summed up by a paragraph taken from a letter presented to President Harry S. Truman in 1951. The petition was presented to him by the Heads of Our Church at that time.

"We keep ourselves free from all participation in political activities, but we recognize the Government as ordained of God. We respect our Government and in our evening prayer meetings attended by all members, and also in our Sunday Worship Services, we pray for our Government. We have always willingly paid our real estate and personal property taxes, even though we have been told that our property is legally exempt from taxation since it belongs to a religious body. We do not allow our widows and orphans, our sick and our feebleminded to become a charge of the County or the State".

Prior to the formation of the Lehreleut Hutterite Group Insurance Trust, the Hutterite people had to accept health insurance which did not conform to the Hutterite way of life and principles. Many attempts were made over the years to try and obtain adequate protection, but not one of the private carriers would offer a plan which met our needs.

Most of the private carriers were not even interested in talking to us because of our life style. They were not interested for reasons such as:

1. We are a religious organization.

2. We are a corporation with no direct employer-employee relationship.

3. Our elderly people are not eligible for Medicare.

We were not interested in the few private carriers that offered to insure us because:

1. They forced us to purchase group life insurance which is in violation of our religious teachings because we do not believe that a man's soul can have a dollar amount placed upon it.

2. They would not insure our old people with anything but a Medicare Supplement and with our elderly not eligible for Medicare, this coverage was of no value.

3. They would not insure us except on a medically underwritten basis for each member of our colony. In a Hutterite Colony, everthing and everyone is equal, so we could not accept insurance for some and not insure those who were medically unacceptable.

There were many other problems which are well documented, but it is not necessary to list them. In 1982, our Group Manager and our Board of Trustees met with representatives of Blue Cross of Montana and as a result of this meeting, our health care program today is a program designed by our Hutterite Trustee Board to meet the needs of our colonies and our people.

Members of the House Taxation Committee, the above statements are made to demonstrate to you why we feel so strongly in supporting a Montana based corporation - Blue Cross and Blue Shield of Montana. They have repeatedly demonstrated not only an interest in obtaining our business, but have been of significant benefit in helping us control the cost of medical care.

As you are aware, the cost of medical care is one of the most rapidly escalating factors in our economy. Just a few short years ago, for example, a lady from our colonies could have a baby in a hospital and the daily room rate was $85.00 and the physician charged $300.00. Today, we are paying $200.00 per day and the physicians are charging in excess of $1,000.00. Our own Senator Baucus brought speakers from all over the country to Great Falls to discuss the health care catastrophe and how to attempt to control the ever-escalating cost of quality medical care.

Our colonies have worked exceedingly hard to try and control this cost. We have gone to higher and higher deductibles, we have eliminated items such as prescription drugs from our health care program, we have placed cost containment incentives into the program and we have taken a strong position on preventative medicine and accident prevention. We are doing everything in our power to at least try to stabilize this major expense to our colonies, and yet the costs keep escalating.

The monetary impact that the Hutterite people have in Montana is very significant. It takes just about $100,000.00/month to keep a Hutterite Colony running. The money we spend for medical care is equally significant. Our group alone (Lehreleut Hutterite Group Insurance Trust) in 1987, will spend an estimated $1,000,000.00 for medical care.

For the Period July, 1982 through December, 1986:

We have paid $1,651,786 in health care dues.

We have paid $281,000 in administrative fees.

There are many Federal and State welfare programs that our people legally qualify for. An example of these are:

1. State of Montana Maternal and Child Welfare Program.

2. Medicaid for the elderly.

From time to time, our Elders, our Tax Board and our Insurance Trustees will hear of a case where a member of a colony has enrolled in or a physician has enrolled one of our members in one of the "Welfare" programs. We have always taken a position of reversing this and followed the principals set down by the Elders of the Church that the Hutterite people take care of themselves. We still follow the principals that were stated to President Truman in 1951, that "We do not allow our widows and orphans, our sick and our feebleminded to become a charge of the County or the State".

Our opposition to the taxation of Blue Cross and Blue Shield of Montana is as follows. The cost of medical care is escalating almost to the point of being uncontrollable. The State should not add to this inflationary process by levying a tax on the dues we pay to Blue Cross and Blue Shield of Montana.

Had this tax been in force since our union with Blue Cross of Montana in 1982, it would have added an estimated $45,425.00 to the cost of our medical care. The proposal in House Bill #741 based upon our current health care dues will add an estimated $12,000.00 this year alone to our colonies.

Our group has a very significant impact on the economy of the State of Montana. We prefer to do business with people in our own state. We prefer to keep 100% of our health care dues within the state. We spend over 95% of all our health care dollars with physicians and hospitals in the state, and we do not feel that we should be taxed for this loyalty to our local economies.

We are Montana people. We like to do business with Montana people and organizations. Please do not levy a premium tax on Blue Cross and Blue Shield of Montana because a true cost containment for medical care can be damaged.

Ladies and Gentlemen of the Tax Committee, we need the services of Blue Cross and Blue Shield of Montana. We need to keep them viable and strong through competitive health care dues. We need a corporation which still treats people like neighbors, that continues to return almost 90% of our health care dollars back into the communities in which we live, and a major corporation which keeps our fellow Montanans employed. We urge you to continue to treat Blue Cross and Blue Shield of Montana as a Montana business - doing business with Montana people and defeat House Bill #741.

Thank you for allowing us to visit with you today.

Respectfully yours,

Joseph Hofer
Frank Wipf
David E. Wipf
Daniel E. Wipf
Wm. J. Kleinsasser

Trustees of the Lehreleut Hutterite Group Insurance Trust

Representing:

Milford Colony - Wolfcreek, Montana
Rockport Colony - Pendroy, Montana
Miller Colony - Choteau, Montana
Rimrock Colony - Sunburst, Montana
Glendale Colony - Cutbank, Montana
Kingsbury Colony - Valier, Montana
Bigsky Colony - Cutbank, Montana
Springdale Colony - White Sulphur Springs, Montana
Hillside Colony - Sweetgrass, Montana
Eaglecreek Colony - Galata, Montana
Seville Colony - Cutbank, Montana
Sagecreek Colony - Chester, Montana

EX #13
3-9-87
HB 741

EXHIBIT 13
DATE 3-9-87
HB 741

MONTANA FEDERATION OF TEACHERS

AMERICAN FEDERATION OF TEACHERS, AFL-CIO

Box 1246 Helena, Montana 59624 (406) 442-2123

Jim McGarvey
Executive Director

TESTIMONY OF JIM MCGARVEY, EXECUTIVE DIRECTOR, MONTANA FEDERATION OF TEACHERS/MONTANA FEDERATION OF STATE EMPLOYEES, AFT, AFL-CIO PRESENTED TO THE HOUSE TAXATION COMMITTEE ON MARCH 9, 1987.

The Montana Federation of Teachers and State Employees stands in opposition to House Bill 741. It places what is essentially a sales tax on the purchase of health insurance coverage. We have state employees and many teacher and university locals who are covered by this insurance program. This tax would be passed directly on to them through additional premiums at a time when legislators are already considering taxing them with pay freezes, layoffs, and increased workloads.

This tax falls most heavily upon Montana's working people. Retired persons on fixed incomes who buy Blue Cross and Blue Shield Medicaid suppliments would also be hit.

Blue Cross and Blue Shield is not like any other health insurance company. It is a non-profit organization--a service provided for Montanans by Montanans. Therefore it makes no sense to tax this organization like a commerical company.

Commerical insurance companies are diversified, making profits in the areas of casualty and life insurance and sometimes in diversified securities and trusts as well. Blue Cross and Blue Shield does none of these things.

If Blue Cross and Blue Shield is taxed and treated as a commerical profit making insurance company, as HB 741 suggests, it may be forced to act like a commerical company making judgements about who it will and will not cover and for what diseases and injuries. Profit motives would be the modus operandi rather than the desire to provide adequate health coverage to Montanans. This would hurt our members and all Montanans.

We oppose HB 741. This bill is not good for Montana's working people.

EXHIBIT
DATE 3-9-87
HB 741

HI

HELENA INDUSTRIES, INC.

SUB-CONTRACTING AND MANUFACTURING

1325 HELENA AVENUE, HELENA, MONTANA 59601
TELEPHONE (406) 442-8632

W. MICHAEL BULLOCK
PRESIDENT

Mr. Chairman, and members of the Committee, my name is Mike Bullock and I am President of Helena Industries, a production based rehabilitation organization which trains adults with severe disabilities.

I am here today to speak in opposition to House Bill 741. Since 1970 Blue Cross and Blue Shield has provided excellent service and health insurance coverage to the staff of Helena Industries. Health insurance coverage is the one fringe benefit that we don't want to decrease or do without.

As with all other businesses, we have been faced with difficult economic times and the prospects for the future are less than bright. It is my concern that a tax of 2.75% on our Blue Cross and Blue Shield dues would leave us with no choice but to reduce our health care coverage. Reducing coverage is something we don't want to do, given the fact health care costs continue to rise.

I urge you to defeat House Bill 741.

W. Michael Bullock

W. Michael Bullock, President

3/9/87
Date

EX 3-9
HB741

3-9-87
HB 741

MONTANA CHAMBER OF COMMERCE

P.O. BOX 1730 • HELENA, MONTANA 59624 • (406) 442-2405

March 9, 1987

MEMO TO: Members of the House Taxation Committee

FROM: Stuart Doggett, Public Affairs Manager

RE: HB 741

For the record, the Montana Chamber of Commerce would like to go on record in opposition to HB 741. We were unable to attend the hearing on March 9 but felt it was necessary to relate to you our concerns about HB 741.

As a statewide business organization we represent many employers who provide health insurance for their employees. These same employers are also paying for some of the highest workers compensation rates in the nation while trying to keep their heads above water. With this in mind we oppose HB 741 as it would add to the cost for employers who provide health insurance. We feel employers are already paying for all the employee benefits they can afford at this time.

The Montana Chamber of Commerce urges a do not pass recommendation on HB 741.

SD/ssg

EXHIBIT
DATE 3.9.87
HB 741

VISITORS' REGISTER

House Taxation COMMITTEE

BILL NO. HB741 DATE March 9, 1987

SPONSOR Harp

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Clyde Sizelove	Blue Cross / Blue Shield		✓
Carl Towlerg	" " "		
Richard M Bradshaw	Lehrerleut Hutterite Trust		✓
Daniel E. Wipf	Lehrerleut Hutterite Trust		✓
Dan Hafer	Lehrerleut Hutterite Trust		✓
Wm J. Kleinsasser	Lehrerleut Hutterite Trust		✓
John C. Kleinsasser	Lehrerleut Hutterite Trust		✓
Jacob P. Wipf	Lehrerleut Hutterite Trust		
Lloyd Anderson	Individual		✓
	Blue Cross Montana		
David E. Wipf	Lehrerleut Hutterite Trust		✓
Joseph M Wipf	Lehrerleut Hutterite Trust		✓
Mona Jamison	Rocky Mtn Treatment Center	✓	
Dennis R Gillett	Aluminum Workers Co. Falls		✓
Jerry Jerry	Blue Cross Blue Shield		✓
Edie Hall	Bc. B. Shield of Mt		✓
Terry Reed	BLUE CROSS BLUE SHIELD		✓
Carl Wathen	Blue Cross & Blue Shield		✓
Mike Bullock	Helena Industries		✓
Jim Burk	Blue Cross, Blue Shield of Montana		✓

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Joe Weggenman	Helena Chamber of Commerce	✓
Mike Dahlem	MFT	✓

CS-33

EXHIBIT
DATE 3-9-87
HB 741

VISITORS' REGISTER

House Taxation COMMITTEE

BILL NO. HB 741 DATE March 9, 1987

SPONSOR Harp

NAME (please print)	REPRESENTING	SUPPORT	OPPOSE
Paul L. Pistoria	State Rep. dist 36		X
Dan Wirak	Morgan Walker T & S Co.		X
Andy Gray	State Farm + N.A.I.I.		
JAMES W. BORCHARDT	STATE AUDITOR	✓	
Sam Byron	M.S.C.C.		X
[illegible]	Retired - B.C.B.S.		X
[illegible]	Federal Employee Health Ben. Rep.		X
Mrs Mary E Doubek	Owners (Also Mike Doubek)		✓
Chuck Butler	Montana Power Co.		✓

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

MINUTES OF THE MEETING
TAXATION COMMITTEE
HOUSE OF REPRESENTATIVES
50TH LEGISLATIVE SESSION

March 17, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez on March 17, 1987, at 8 a.m. in Room 312B of the State Capitol.

ROLL CALL: All members of the Committee were present, except Reps. Hanson and Hoffman, who were excused. Also present was Greg Petesch, Director of Legal Services, Legislative Council.

DISPOSITION OF HOUSE BILL NO. 741: Rep. Harp advised the Committee he met with Blue Cross/Blue Shield and the State Auditor, to agree to disagree. He proposed that amendment #5 (Exhibit #1) pertaining to exclusions of coverage be approved in an effort to eliminate unfairness.

Rep. Harp made a motion that HB 741 DO PASS and that the proposed amendment be approved. The motion to amend CARRIED unanimously.

Rep. Williams made a motion to strike section 5 of the bill in its entirety. The motion CARRIED 8-7 on a roll call vote (attached).

Rep. Harp said eliminating the premium tax won't change costs, as evidenced by testimony from private insurers, and made a motion to put "freedom of choice" back in the bill. The motion FAILED 4-8 on a roll call vote (attached).

Rep. Harp made a motion that HB 741 be TABLED. The motion CARRIED with all members voting aye, except Reps. Ramirez, Ream, and Ellison.

DISPOSITION OF HOUSE BILL NO. 96: Rep. Ellison made a motion to TABLE HB 96. The motion CARRIED with all members voting aye except Reps. Raney and Patterson, who voted no.

DISPOSITION OF HOUSE BILL NO. 494: Rep. Williams made a motion that HB 494 be TABLED. The motion CARRIED, with all members voting aye except Reps. Gilbert, Ellison, Patterson, Schye, and Raney, who voted no.

DISPOSITION OF HOUSE BILL NO. 730: Rep. Ellison made a motion to take HB 730 FROM THE TABLE. The motion CARRIED unanimously.

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date March 17, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ	✓		
REP. ASAY			
REP. ELLISON	✓		
REP. GILBERT	✓		
REP. HANSON			✓
REP. HARP	✓		
REP. HARRINGTON			
REP. HOFFMAN			✓
REP. KEENAN	✓		
REP. KOEHNKE	✓		
REP. PATTERSON	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. SANDS	✓		
REP. SCHYE	✓		
REP. WILLIAMS	✓		

CS-30

EXHIBIT
DATE 3-17-87
HB 741

ROLL CALL VOTE

HOUSE TAXATION COMMITTEE

DATE 3-17 BILL NO. HB 741

NAME	ABSTAIN	AYE	NAY
RAMIREZ, REP. JACK			✓
ASAY, REP. TOM	✓		
ELLISON, REP. ORVAL		✓	
GILBERT, REP. BOB		✓	
HANSON, REP. MARION	✓		
HARP, REP. JOHN		✓	
HARRINGTON, REP. DAN	✓		
HOFFMAN, REP. ROBERT	✓		
KENNAN, REP. NANCY			✓
KOEHNKE, REP. FRANCIS			✓
PATTERSON, REP. JOHN			✓
RANEY, REP. BOB			✓
REAM, REP. BOB		✓	
SANDS, REP. JACK			✓
SCHYE, REP. TED			✓
WILLIAMS, REP. MEL			✓
TALLY	4	4	8

Joann Banschbach
Secretary

Rep. Jack Ramirez
Chairman

Motion: Harp - freedom of choice

Form CS-31A
Rev. 1985

3-17-87

ROLL CALL VOTE

HB 741

HOUSE TAXATION COMMITTEE

DATE 3-17 BILL NO. HB 741

NAME	ABSTAIN	AYE	NAY
RAMIREZ, REP. JACK			✓
ASAY, REP. TOM	✓		
ELLISON, REP. ORVAL			✓
GILBERT, REP. BOB			✓
HANSON, REP. MARION		✓	
HARP, REP. JOHN			✓
HARRINGTON, REP. DAN		✓	
HOFFMAN, REP. ROBERT			✓
KENNAN, REP. NANCY		✓	
KOEHNKE, REP. FRANCIS		✓	
PATTERSON, REP. JOHN		✓	
RANEY, REP. BOB		✓	
REAM, REP. BOB			✓
SANDS, REP. JACK			✓
SCHYE, REP. TED		✓	
WILLIAMS, REP. MEL		✓	
TALLY	1	8	7

Joann Banschbach
Secretary

Rep. Jack Ramirez
Chairman

Motion: DNP - strike sec 5 pertaining

Form CS-31A
Rev. 1985

3-17-87
HB 741

AMENDMENTS TO HOUSE BILL 741

1. Page 2, line 3.
Following: "corporations"
Insert: "as prescribed in 33-30-102"

2. Page 3, lines 5 through 6.
Strike: "referred to in 33-1-102"
Insert: "in the provisions listed in 33-30-102"

3. Page 4, line 8.
Strike: "title."
Insert: "chapter. In addition to the provisions contained in this chapter, other chapters and provisions of this title apply to health service corporations as follows: 33-2-705, 33-17-212, 33-17-213, and 33-17-214; and chapters 1, 15, 18, 19, and 22."

4. Page 10, line 18.
Strike: "chapter 17"
Insert: "33-17-212, 33-17-213, and 33-17-214"

5. Page 13, line 2 through line 4, page 14.
Strike: section 12 in its entirety
Renumber: subsequent subsections

6. Page 14, lines 17 through 19.
Following: "Section" on line 17
Strike: remainder of line 17 through "1988." on line 19
Insert: "9 applies to individuals appointed as enrollment representatives on or after the effective date of this act."

#1a
3-17-87
HB741

M E M O R A N D U M

TO: Representative John Harp

FROM: Kathy Irigoin, Staff Attorney
Montana Insurance Department

SUBJECT: Information on premium tax and freedom of choice issues in House Bill 741

DATE: March 13, 1987

I. Premium Tax vs. Corporate Tax

A corporation may not be organized in Montana (or any other state) for banking or insurance. Corporation laws (including a corporate license tax), therefore, do not apply to banks or insurance companies. Historically, insurance companies have paid only a tax upon the net premiums received during the preceding calendar year. An insurance company pays the premium tax in lieu of all other state, county, city, district, municipal, and school taxes, licenses, fees, and excises.

A nonprofit corporation organized as a health service corporation does not pay a premium tax or a corporate license tax. A health service corporation is exempt from the corporate license tax in Montana as a "civic league or organization not organized for profit but operated exclusively for the promotion of social welfare".

The Federal Government determined, in 1986, that health service corporations should no longer be exempt from federal income tax because they are not "operated exclusively for the promotion of social welfare". Instead, they act and operate much like all other insurance companies. Health service corporations in Montana do not operate exclusively for the promotion of social welfare either and, therefore, should not be exempt from state taxation. (Twenty-two states already require health service corporations to pay a premium tax.)

II. Problems With Taxing Administrative Services Only (ASO)

A health service corporation collects a fee for administering ASO business like the State Employees' Health Plan. ASO business generates income to the health service corporation, separate from any premium income. Historically, neither insurance companies or health service corporations have paid an income tax. Presently, health service corporations do not

report their ASO business separately, making it difficult to determine how their ASO business relates to their regular "at-risk" business. Beginning in 1987, health service corporations will be required to report ASO business separately from their "at-risk" business.

III. Freedom of Choice

Section 12 of House Bill 741 (page 13, line 2 through line 4, page 14) requires health service corporation membership contracts to provide for freedom of choice of practitioners. Basically, this allows a member may choose any licensed physician, dentist, osteopath, chiropractor, optometrist, chiropodist, psychologist, licensed social worker, or nurse specialist to treat any illness or injury. All insurance companies are already required to let their policyholders choose anyone from that list to treat them. Presently, health service corporations exclude coverage of services provided by chiropractors or optometrists, neither of whom is a medical doctor, unless coverage of chiropractors or optometrists is specifically requested by a group in negotiating a group policy or an individual in purchasing an individual policy.

House Bill 741 does not interfere with health service corporation provider agreements through which providers agree not to charge more for a service than the health service corporation has established to be a reasonable charge, e.g., $500 for an appendectomy. If a member goes to a participating provider, he or she can be assured that the provider will not charge more than $500 for an appendectomy. The member will pay 20% of the $500 charge, and the health service corporation will pay the remaining 80%. If, however, a member goes to a non-participating provider, the non-participating provider may charge $600 for the appendectomy. The member then pays $100 (the difference between the amount the non-participating provider charged and the health service corporation thinks is a reasonable charge) PLUS 20% of the $500 that the health service corporation thinks is a reasonable charge. In any event, the health service corporation pays only 80% of $500 for a appendectomy. If provider agreements achieve cost containment for anyone, it's the health service corporation, not the member. (Please note that I made up the charges. I don't know what Blue Cross/Blue Shield thinks is a reasonable charge for an appendectomy).

Section 12 does not prevent a health service corporation from contracting with health care providers to achieve health care cost containment. It simply says that, if I choose a chiropractor to treat my back, the health service corporation cannot refuse to pay whether or not the chiropractor has a provider agreement with the health service corporation.

Rep. Ellison said he believed the concept outlined in the bill could be unconstitutional.

Rep. Harp made a motion that HB 851 DO PASS AS AMENDED.

Rep. Asay made a substitute motion to consider the bill on March 19. The motion CARRIED with all members voting aye, except Reps. Schye, Harrington, Harp, Koehnke, Raney, Patterson, and Koehnke, who voted no.

DISPOSITION OF HOUSE BILL NO. 813: Greg Petesch, Director of Legal Services, Legislative Council, produced an amendment approved by Rep. Cohen.

Rep. Williams made a motion that HB 813 DO PASS, and made a motion that the amendment be approved.

Rep. Gilbert made a motion to further amend the bill to collect taxes on all ATV's, instead of a few, with a fee in lieu of taxes. The motion CARRIED unanimously.

Rep. Williams made a motion that HB 813 DO PASS AS AMENDED. The motion CARRIED with all members voting aye, except Reps. Hoffman and Asay, who voted no.

DISPOSITION OF HOUSE BILL NO. 741: Rep. Ream made a motion to take HB 741 OFF THE TABLE. The motion CARRIED unanimously.

Rep. Ream made a motion that HB 741 DO PASS.

Rep. Ellison made a motion that the proposed amendment to HB 741 be approved (Exhibit #7). The motion CARRIED unanimously.

Rep. Ream made a motion that HB 741 DO PASS AS AMENDED. The motion CARRIED unanimously.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 8:45 p.m.

Jack Ramirez

Representative Jack Ramirez,
Chairman

STANDING COMMITTEE REPORT

MARCH 18 19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report HOUSE BILL NO. 741

☒ do pass ☐ be concurred in ☒ as amended
☐ do not pass ☐ be not concurred in ☐ statement of intent attached

Representative Jack Ramirez Chairman

be amended as follows:

1. Title, line 8
   Strike: "33-30-203"

2. Page 2, line 3
   Following: "corporations"
   Insert: "as prescribed in 33-30-102"

3. Page 3, lines 5 and 6
   Strike: "referred to in 33-1-102"
   Insert: "in the provisions listed in 33-30-102"

4. Page 4, line 8
   Strike: "title."
   Insert: "chapter. In addition to the provisions contained in this chapter, other chapters and provisions of this title apply to health service corporations as follows: 33-17-212, 33-17-213, and 33-17-214; and chapters 1, 15, 18, 19, and 22."

5. Page 6, lines 5 through 8
   Strike: section 5 in its entirety
   Renumber: subsequent sections

6. Page 10, line 18
   Following: "in"
   Strike: "chapter 17"
   Insert: "33-17-212, 33-17-213, and 33-17-214"

7. Page 13, line 2 through line 4, page 14
   Strike: section 12 in its entirety
   Renumber: subsequent sections

First reading copy (White color)

8. Page 14, lines 17 through 19
Following: "Section" on line 17
Strike: remainder of line 17 through "1988." on line 19
Insert: "8 applies to individuals appointed as enrollment representatives on or after the effective date of this act."

Representative Jack Ramirez,
Chairman

CHAIRMAN--SEN. ALLEN C. KOLSTAD
NORMAL SCHEDULE==> SITE: ROOM 410 DAYS: MON THRU FRI TIME: 10:00 A.M.

SECRETARY-CAROLYN LINDEN

--BILL NO---	REFER DATE---	HEARING DATE---	CONSIDERATION DATES----------	COMMITTEE ACTION----------	REREFERRED TO COMM----	DATE OUT-
HB0622	2/17	3/18	3/18/87; 3/26/87	CONCUR AS AMENDED		3/26/87
BRANDEWIE, RAY			GENERALLY REVISE FINANCIAL REGULATION OF INSURANCE COMPANIES			
HB0623	3/02				STATE ADMIN.	
HARRINGTON, DAN			PREVENT CLOSURE OR SALE OF PROFITABLE LIQUOR STORES			
HB0626	2/17	3/13	3/13/87; 3/16/87; 3/20/87	CONCUR AS AMENDED		3/20/87
FRITZ, HARRY			LIMIT CAUSES FOR LANDLORDS' RECOVERY OF TREBLE DAMAGES			
HB0648	2/19	3/05	3/ 5/87;	CONCUR		3/5/87
HOLLIDAY, GAY			LEGALIZE CALCUTTA POOLS IN BETTING INVOLVING SPORTS EVENTS			
HB0648	3/14	3/19	3/19/87; 3/20/87; 3/23/87	CONCUR AS AMENDED		3/23/87
HOLLIDAY, GAY			LEGALIZE CALCUTTA POOLS IN BETTING INVOLVING SPORTS EVENTS			
HB0654	2/23	3/06	3/6/87; 3/10/87	CONCUR AS AMENDED		3/10/87
ADDY, KELLY			CREATE ALL-BEVERAGE LICENSE FOR NONPROFIT ARTS ORGANIZATIONS			
HB0691	2/21	3/06	3/6/87	CONCUR AS AMENDED		3/6/87
BRADLEY, DOROTHY			REVISE RATE REGULATION OF SMALL TELEPHONE COMPANIES			
HB0720	2/21				JUDICIARY	
SPAETH, GARY			ADOPT MODEL CLOSE CORPORATION ACT			
HB0741	3/25	3/27	3/27/87	CONCUR AS AMENDED		3/27/87
HARP, JOHN			REGULATION OF HEALTH SERVICE CORPORATIONS			
HB0765	3/02				LABOR & EMPLOYMENT	
VINCENT, JOHN			MONTANA JOBS ACT			
HB0769	2/23	3/17	3/17/87	CONCUR		3/17/87
PATTERSON, JOHN			CONTINUOUS CERTIFICATES FOR CERTAIN INSURERS			

MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

March 27, 1987

The forty-second meeting of the Business and Industry Committee was called to order by Chairman Allen C. Kolstad at 10:01 a.m. on Friday, March 27, 1987, in Room 410 of the Capitol.

ROLL CALL: All members were present.

DISPOSITION OF HOUSE BILL NO. 817: Sen. Weeding MOVED STATEMENT OF INTENT TO HB 817 BE ADOPTED, seconded by Sen. McLane. The MOTION CARRIED UNANIMOUSLY.

Sen. Weeding MOVED HB 817 BE CONCURRED IN, seconded by Sen. Williams. The MOTION CARRIED UNANIMOUSLY.

Vice Chairman Ted Neuman assumed the Chair in order that Chairman Kolstad could attend another hearing.

CONSIDERATION OF HOUSE BILL NO. 741: Sen. Tom Hager, District 48, Billings, presented the bill in the absence of Rep. John Harp, chief sponsor of the bill. He introduced Kathy Irigoin from the State Auditor's Office to present the testimony for the bill.

Ms. Irigoin said the bill would increase the state's regulation of health service corporations (Blue Cross/Blue Shield). Presently, these corporations are regulated by the provisions of Title 33, chapter 20.

The bill extends certain other insurance laws to cover the "Blues". Under the bill they would be subject to the following portions of the law: sections 33-17-212 through 33-17-214 which deal with examination for licensure and issuance of licenses; chapter 1 which contains general provisions; chapter 15 which sets forth the requirements for a contract of insurance; chapter 18 which contains the unfair trade practices laws; chapter 19 which deals with insurance information and privacy; and chapter 22 which deals with disability insurance.

She said the new section 10 of the bill requires licensure of health service corporations. The license could be revoked or suspended by the commissioner for violation of the insurance laws.

The bill also revises the fee schedule for health service corporations to raise certain fees and includes fees for examination for licensure, and other licensure fees. (EXHIBITS 1, 2 and 3)

PROPONENTS: Steve Brown, representing Blue Cross/Blue Shield, explained the amendment to the committee. (EXHIBIT 4) They did support HB 741 with the amendment.

Bonnie Tippy, representing the Montana Association of Life Underwriters and the Montana Association of Health Underwriters, said they wished to be on record as being totally in support of the bill. She said they supported the bill in the House, including the premium tax. Even though that has been taken out, she said they still support the bill. She said they had many reasons for supporting the bill but one of the most important reasons was those people who are selling insurance for Blue Cross/Blue Shield should be required to have the same kind of education and licensing as agents who represent other health insurance companies. She urged a do pass recommendation.

Mona Jamison, representing Rocky Mountain Treatment Center in Great Falls, said they supported the bill as originally introduced in the House. She said they felt this bill is a reasonable step in the right direction and urged the committee's support of the bill.

Tom Hopgood, representing the Health Insurance Association of America, said they also supported the bill in the House as it was introduced and still feel it is a good bill. He urged a do pass recommendation from the committee.

OPPONENTS: There were no opponents.

There being no opponents, Sen. Hager closed the presentation on HB 741.

DISCUSSION OF HOUSE BILL NO. 741: There were no questions from the committee. Chairman Kolstad resumed the Chair.

DISPOSITION OF HOUSE BILL NO. 741: Sen. Neuman MOVED ADOPTION OF THE AMENDMENT, seconded by Sen. Walker. The MOTION CARRIED UNANIMOUSLY.

Sen. McLane MOVED HB 741 BE CONCURRED IN AS AMENDED, seconded by Sen. Walker. The MOTION CARRIED UNANIMOUSLY. Sen. Hager will carry the bill in the Senate.

DISPOSITION OF HOUSE BILL NO. 586: Sen. Williams MOVED HB 586 BE CONCURRED IN, seconded by Sen. Meyer. Chairman Kolstad stated that HB 623 has not been taken up on Second Reading as of yet and the two bills relate to each other.

Sen. Neuman stated there could be a coordination clause saying if HB 623 passes there would be no need for HB 586 and it would be null and void. It could also be killed on the floor if it is not needed or send it back to Committee.

ROLL CALL

Business & Industry COMMITTEE

50th LEGISLATIVE SESSION -- 1987 Date 3/27/8

NAME	PRESENT	ABSENT	EXCUSED
ALLEN C. KOLSTAD, CHAIRMAN	✓		
TED NEUMAN, VICE CHAIRMAN	✓		
PAUL BOYLAN	✓		
TOM HAGER	✓		
HARRY H. McLANE	✓		
DARRYL MEYER	✓		
GENE THAYER	✓		
MIKE WALKER	✓		
CECIL WEEDING	✓		
BOB WILLIAMS	✓		

Each day attach to minutes.

DATE 3/27/87

COMMITTEE ON HB 741

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Steve Brown	Blue Cross-Blue Shield	HB 741	X	
Tom Hopgood	Health Ins. Assoc. of Amer	741	X	
Mona Jamison	Rocky Mtn. Treatment Ctr	HB 741	X	
Wendy McCurdy	State Auditor's Office	HB741	X	

(Please leave prepared statement with Secretary)

WRITTEN TESTIMONY OF STATE AUDITOR'S OFFICE
HOUSE BILL 741
March 27, 1987

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 1
DATE 3-27-87
BILL NO. HB-741

I. Purpose/Background

Current Montana law provides that the Montana Insurance Code (Title 33, MCA) does not apply to health service corporations. Weber v. Blue Cross of Montana, 196 Mont. 454 (1982), reh. den. 643 P.2d 198 (1982); 37 Op. Att'y Gen. 151 (1978). The Weber case can, however, be distinguished on the grounds that it is based upon laws and conditions that no longer exist. In addition, the Attorney General's opinion merely states the conclusion that health service corporations are not subject to the Montana Insurance Code. The Attorney General's conclusion is not supported by reason. House Bill 741 addresses the differences in regulation created by Weber and the Attorney General opinion. House Bill 741 makes regulation of health service corporations closer to regulation of other health insurance companies since experience and information in the Montana Insurance Department indicates that there are relatively few differences between the ways a health service corporations and other health insurance companies are operated, eliminating a need for differences in regulation.

II. Explanation of House Taxation Amendments

House Bill 741, as introduced, basically provided that ALL of the Montana Insurance Code, including the premium tax, should apply to health service corporations. The House Taxation Committee amended it to clarify exactly which insurance laws should apply to health service corporations (see section 3, page 4, lines 4 through 12). In addition, the House Taxation Committee removed the premium tax (see former section 5, page 6, lines 9 through 12).

III. Section by Section Explanation

Section 1 clarifies that the Montana Insurance Code applies to health service corporations only as prescribed in the applicability section of the Health Service Corporation Act.

Section 2 provides that the term "insurer" includes a health service corporation only in those insurance laws listed in the applicability section of the Health Service Corporation Act.

Section 3 applies the following laws to health service corporations (see page 4, lines 11 through 12):

33-17-212--insurance agent license examination required.

33-17-213--conduct of insurance agent examination.

33-17-214--issuance of insurance agent license.

Chapter 1--Administration and General Provisions--which, in part, includes laws relating to financial examinations by the Insurance Department (part 4), approval of forms (part 5), and administrative hearings and appeals (part 7).

Chapter 15--The Insurance Contract--which, in part, includes laws relating to required policy provisions (part 3).

Chapter 18--Unfair Trade Practices.

Chapter 19--Insurance Information and Privacy Protection--which already applies to health service corporations but which should nonetheless be listed as applying to them in the applicability section of the Health Service Corporation Act for clarity.

Chapter 22--Disability Insurance (encompasses health insurance that health service corporations sell)--which, in part, includes laws that currently do not apply to health service corporations, e.g., individual policy requirements (part 2) and requirements for certain individual coverages (part 3); and laws that currently do apply to health service corporations, e.g., coverage for mental illness, alcoholism, and drug addiction (part 7); extended health insurance (part 8); medicare supplement insurance minimum standards (part 9); home health care coverage (part 10); and comprehensive health association and plan (part 15).

Please note that, if any provision of the sections and chapters of the Montana Insurance Code listed above conflicts with a provision of the Health Service Corporation Act, the conflicting provision of the Health Service Corporation Act applies (see page 4, lines 13 through 18).

Section 4 provides that health service corporations shall pay for market conduct examinations conducted by the commissioner. Under current law, the Legislature has to appropriate money for those examinations of health service corporations; whereas, other insurance companies already pay for financial examinations that the commissioner conducts.

Section 5 adjusts fees paid by health service corporations to match those paid by other health insurance companies.

Section 6 provides that health service corporation forms must be filed with and approved by the commissioner like other health insurance company forms. Currently, health service corporations are simply required to file their forms before

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using them; whereas, other health insurance companies must obtain prior approval before using their forms.

Section 7 removes the provision that rate increase notices by a health service corporation must include the mailing address of the commissioner since the commissioner has no authority over the rates charged by health service corporations.

Section 8 requires health service corporation enrollment representatives to pass the same examination as other health insurance company agents.

Section 9 provides that health service corporations, like any other health insurance company, must provide conversion rights to a person, his dependents, or family members covered under a health service corporation policy if their eligibility for coverage under the policy ends because the employer discontinued the policy.

Section 10 requires health service corporations to obtain a license, which they are not currently required to do.

IV. Conclusion

House Bill 741 eliminates many of the regulatory preferences for health service corporations contained in current law. It makes regulation of health service corporations more like regulation of other health insurance companies.

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EXHIBIT NO. 2
DATE 3-27-87
BILL NO. HB-741

FACTS ON HOUSE BILL 741

A health service corporation is a non-profit corporation providing insurance plans for hospital and medical care. Under current law, health service corporations are exempt from many provisions of the Montana Insurance Code and are allowed to do business differently than other health insurance companies. H.B.741 addresses those areas where the Insurance Department feels it is in the consumers' best interest that health service corporations be treated in the same fashion as any other insurance company.

The major consumer protections of H.B. 741 include:

1. Health service corporations would be required to meet many of the same provisions of the Insurance Code as all other insurance companies.

2. The bill assures consumer protections for customers of health service corporations including financial examinations to ensure that the corporation will be financially sound and able to pay all claims, and prompt and fair claims settlements.

3. The bill requires health service corporations, and not the State, to pay the cost of financial and market study examinations. Other insurers already pay those same costs, and this change will remove the expense from the general fund and Montana's taxpayers.

4. H.B. 741 requires that health service corporations obtain a license. Currently, health service corporations are not licensed through the Insurance Department.

5. This legislation requires health service corporation "enrollment representatives" to pass the same examination as agents offering health insurance through other companies.

6. The bill adjusts fees paid by health service corporations to match those paid by health insurance companies.

This legislation <u>WILL NOT</u>:

*alter the non-profit status of health service corporations.

*change the financial requirements a health service corporation must extablish and maintain in order to do business in Montana.

*restrict a health service corporation's ability to contract with doctors or hospitals to achieve cost control.

H.B. 741 no longer requires:

*payment of Montana's premium tax

*compliance with freedom of choice of practitioner provisions

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 3
DATE 3-27-87
BILL NO. HB-741

Summary of Table of Comparisons of
State Laws Regulating Blue Cross/Blue Shield Organizations
Prepared by Montana Insurance Department

The Montana Insurance Department reviewed the regulation of Blue Cross/Blue Shield by 16 states, including Montana, and prepared the attached "TABLE OF COMPARISONS OF STATE LAWS REGULATING BLUE CROSS/BLUE SHIELD ORGANIZATIONS". The table reflects the findings of the survey and bears out the following conclusions:

1. PROFIT STATUS. Blue Cross/Blue Shield is a nonprofit corporation in 13 states (including Montana), a profit corporation in two states (California and New Mexico), and a mutual insurance company in one state (Connecticut).

2. ANNUAL STATEMENT. All of the states surveyed require Blue Cross/Blue Shield to file an annual statement, reflecting its financial situation.

3. TAXATION. Ten of the 16 states require Blue Cross/Blue Shield to pay a premium tax, two states (Montana and Idaho) charge them a subscription fee, and only four states (California, Colorado, Oregon, and Maine) have no tax.

4. UNFAIR TRADE PRACTICES. Every state surveyed, except Montana, requires Blue Cross/Blue Shield to comply with unfair trade practices laws, which means that Blue Cross/Blue Shield may not legally engage in the following (or other) unfair claim settlement practices in those states:

   a. misrepresent pertinent facts or insurance policy provisions;

   b. fail to acknowledge and act reasonably promptly upon claims;

   c. refuse to pay claims without conducting a reasonable investigation of claims arising under insurance policies;

   d. fail to affirm or deny coverage of claims within a reasonable time after proof of loss statements have been completed;

   e. neglect to attempt in good faith to effectuate prompt, fair, and equitable settlements of claims;

   f. force an insured to sue to recover amounts due under an insurance policy by offering substantially less than the amounts the insured ultimately recovers;

g. attempt to settle a claim for less than the amount to which a reasonable man would have believed he was entitled;

h. delay the investigation or payment of claims;

i. fail to settle claims promptly

5. MANDATED BENEFITS. Every state surveyed mandated Blue Cross/Blue Shield to cover mental illness, alcoholism, and drug addiction like any other insurance company, except that the coverages mandated for Blue Cross/Blue Shield differed slightly from those mandated for other insurance companies in Colorado and New Mexico.

6. FREEDOM OF CHOICE. Every state surveyed, except Montana, required Blue Cross/Blue Shield to allow its subscribers to choose the type of doctor to treat them.

7. CONVERSION. Every state surveyed required Blue Cross/Blue Shield to offer conversion plans to individuals who cannot be covered under a group plan because their employment or eligibility in the group ends or because their employer discontinues his business.

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TABLE OF COMPARISONS OF STATE
LAWS REGULATING BLUE CROSS/BLUE SHIELD ORGANIZATIONS

STATES	PROFIT STATUS	CORPORATE STATUS	FINANCIAL REQUIREMENTS	FINANCIAL REPORTING	TAXATION	UNFAIR TRADE PRACTICES	MANDATED BENEFITS	FREEDOM OF CHOICE	CONVERSION
HOUSE BILL 741	Nonprofit	Health service corp.	$500,000 or 1 months' average income from dues	Annual stmt	Premium tax--2.75%	Must comply	Yes	Yes	Yes
MONTANA	Nonprofit	Health service corp.	$500,000 or 1 months' average income from dues	Annual stmt	Fee of 50¢/ subscriber	No	Yes	No	Yes
ALASKA	Nonprofit	Hospital & medical service company	Less capitalization and surplus than insurance co.	Annual stmt	(Premium less claims) x 6%	Must comply	Yes	Yes	Yes
ARIZONA	Nonprofit	Hospital & medical service company	Same capitalization and surplus as insurance co.	Annual stmt	Premium tax--1.7%	Must comply	Yes	Yes	Yes
CALIFORNIA	Profit	Insurance company	Same capitalization and surplus as insurance co.	Annual stmt	No tax	Must comply	Yes	Yes	Yes
COLORADO	Nonprofit	Health service corp.	Surplus cap of 1/3 of previous year's premium	Annual stmt	No tax	Must comply	Yes with subtle changes	Yes with subtle changes	Yes with subtle changes

STATES	PROFIT STATUS	CORPORATE STATUS	FINANCIAL REQUIREMENTS	FINANCIAL REPORTING	TAXATION	UNFAIR TRADE PRACTICES	MANDATED BENEFITS	FREEDOM OF CHOICE	CONVERSION
IDAHO	Nonprofit	Hospital & professional corp.	Same capitalization and surplus as insurance co.	Annual stmt	Premium tax--4¢/subscriber/month	Must comply	Yes	Yes	Yes
OREGON	Nonprofit	Health service contractor	Same capitalization and surplus as insurance co.	Annual stmt	No tax	Must comply	Yes	Yes	Yes
UTAH	Nonprofit	Health service corp.	$400,000 capital $300,000 surplus	Annual stmt	Premium tax--2.25%	Must comply	Yes	Yes	Yes
WYOMING	Nonprofit	Health service corp.	Same capitalization and surplus as insurance co.	Annual stmt	Premium tax--1.5%	Must comply	Yes	Yes	Yes
NORTH DAKOTA	Nonprofit	Health service corp.	$500,000 capital $100,000 surplus	Annual stmt	Premium tax--.5%	Must comply	Yes	Yes	Yes
SOUTH DAKOTA	Nonprofit	Medical, surgical, hospital corp.	No deposit; director controls corp. expenses	Annual stmt	Premium tax--2.5%	Must comply	Yes	Yes	Yes
CONNECTICUT	Mutual company	Insurance company	$1,000,000 capital $2,000,000 surplus	Annual stmt	Premium tax--2%	Must comply	Yes	Yes	Yes

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STATES	PROFIT STATUS	CORPORATE STATUS	FINANCIAL REQUIREMENTS	REPORTING	TAXATION	[illegible]			
MAINE	Nonprofit	See note below	1-3-month reserve money level	Annual stmt	No tax	Must comply	Yes	Yes	Yes
WASHINGTON	Nonprofit	Hospital & medical service corp.	Less capitalization and surplus than insurance co.	Annual stmt	(Premiums less claims) x 6%	Must comply	Yes	Yes	Yes
NEVADA	Nonprofit	Medical service corp.	Reserve levels fluctuate with policyholder levels	Annual stmt	Premium tax--3%	Must comply	Yes	Yes	Yes
NEW MEXICO	Profit	Health care plan	Same capitalization and surplus as insurance co.	Annual stmt	Premium tax--3%	Must comply	Yes with subtle changes	Yes with subtle changes	Yes with subtle changes

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DATE 3-27-87
BILL NO H.B. 744

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 4
DATE 3-27-87
BILL NO. HB 741

Amendment to HB 741 third reading (blue) copy

1. Page 4, line 12.
Following: "22"
Insert: ", except 33-22-111"

STANDING COMMITTEE REPORT

MARCH 27, 19 87

MR. PRESIDENT

We, your committee on BUSINESS AND INDUSTRY

having had under consideration HOUSE BILL No. 741

THIRD reading copy (BLUE color)

HARP (HAGER)

REGULATION OF HEALTH SERVICE CORPORATIONS

Respectfully report as follows: That HOUSE BILL No. 741 be amended as follows:

1. Page 4, line 12.
Following: "22"
Insert: ", except 33-22-111"

AND AS AMENDED,

BE CONCURRED IN

~~XXXXXXX~~

~~XXXXXXXXXXX~~

SENATOR ALLEN C. KOLSTAD, Chairman.